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Central Intelligence Agency



Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

30 September 1983

## CENTRAL AMERICAN MONTHLY REPORT #2

Summary

Overall trends in Central America continue to be generally favorable. In Nicaragua, a series of dramatic military attacks by anti-Sandinista forces have put increased pressure on the regime. Nevertheless, in El Salvador, the insurgents have finally launched a major offensive to regain the military initiative, and the Army has been hard pressed to respond effectively. In Guatemala, the new military government is pressing for revival of a regional defense alliance while indicating it may hold elections earlier than July 1984. In Honduras, President Suazo is recovering well from his heart attack, and the Army has defeated a Cuban-Nicaraguan attempt to set up an insurgent infrastructure. Costa Rican relations with Nicaragua have been further damaged by the capture of a Spanish terrorist and several Sandinista soldiers by Costa Rican security forces. In Panama, the withdrawal of General Paredes from the presidential race has raised the possibility that President de la Espriella may attempt to extend his stay in office. Finally, the Contadora peace effort has managed to stay on track with the agreement by the Central American countries to a statement of objectives for further clarification. [redacted]

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\* \* \*

This memorandum was prepared by Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 30 September 1983. Questions and comments are welcome and should be addressed to Chief, Middle America/Caribbean Division, OALA, [redacted]

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**EL SALVADOR****Military**

Military activity in September was highlighted by an upsurge of guerrilla operations and increased Army casualties. The insurgent attack on San Miguel in early September was followed later in the month by the brief occupation of Jucuaran, in southeastern Usulután, and by attacks against government forces and economic targets in Morazan, San Miguel, and San Vicente. All the insurgent factions apparently are taking part, and the fighting has recently spread to central El Salvador (see map). 25X1

The attacks by the guerrillas probably are part of their long-awaited joint offensive, but they have failed so far to attract any widespread popular support. 25X1

The upsurge in insurgent activity has raised concern over government troop fatigue and some supply shortages. 25X1

and with the performance of several elite units. One attache report indicates the Army commander in San Vicente may be given control of the Usulután operation. 25X1

**Arms Flow**

We have had little information of new arms deliveries to the Salvadoran insurgents over the past month. Salvadoran officials believe the flow has been greatly reduced by anti-Sandinista insurgent activity in Nicaragua, but there is little firm evidence to support this contention. Moreover, the fact that the Salvadoran guerrillas have been able to sustain a relatively high

[redacted]

rate of offensive activity in September indicates that shortages of arms and ammunition are not a serious problem. [redacted]

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Meanwhile, the arms transshipment facility on La Pelota Island off northwestern Nicaragua was destroyed in a commando raid by anti-Sandinista insurgents on 12 September. The facility was used to transfer arms to El Salvador in large canoes. [redacted]

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### Political

The first meeting between guerrilla leaders and members of the Salvadoran Peace Commission took place in Bogota, Colombia on 29 August. Little of substance was discussed. In public statements after the meeting the insurgents continued to insist on a power-sharing role in government before they would agree to participate in elections. The second meeting took place on 29 September, again in Bogota, but the insurgents want subsequent meetings to be held in El Salvador. [redacted]

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[redacted]

The Constituent Assembly missed its 15 September deadline for approving the draft constitution. About a third of the 246 articles have been approved, and some of the most controversial reform issues have yet to be addressed. Labor organizations lobbied the Assembly to urge the adoption of articles that would not inhibit the formation of campesino unions. As a result, several union officials were harassed and threatened by ultrarightist death squads, and a prominent labor leader was kidnapped in late September. [redacted]

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Although elections have been postponed until the first quarter of next year, several presidential hopefuls have started campaigning. The Christian Democrats' Napoleon Duarte, the only candidate thus far formally approved by his party, continued his active campaign at home and abroad. National Conciliation Party

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leader Francisco "Chachi" Guerrera is campaigning hard to become his party's candidate. Spokesmen for the ultrarightist ARENA party believe Roberto D'Aubuisson is still their most likely candidate. Party leader Hugo Berrera said he would accept the ARENA nomination if D'Aubuisson does not run. Meanwhile, ARENA is attempting to form a rightwing coalition to prevent a victory by Duarte. [ ]

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Rightwing death squads stepped up their activities not only against union leaders but also against alleged insurgent collaborators. Three university professors and a member of the Salvadoran Foreign Ministry were kidnapped by death squads in September. According to Catholic Church statistics, as many as 25 kidnappings attributed to death squads occurred in one week. The Assembly overwhelmingly approved a proposal calling for the defense minister to investigate the upsurge in death squad activities. [ ]

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## NICARAGUA

### Military

The anti-Sandinista insurgents changed their tactics during September in an attempt to gain momentum and increase their impact on the regime (see map). At month's end the Honduran-based FDN was able to enter briefly parts of the northwestern town of Ocotal, announcing at the same time a new campaign to take the war to the cities. The main thrust during the month, however, was an increase in insurgent activity in central Nicaragua. Teams from the FDN also sabotaged the country's only crude petroleum import facility. The full extent of the damage is not yet known. [ ]

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The Democratic Revolutionary Alliance (ARDE), using small aircraft, carried out several highly publicized bombing raids. Two ARDE aircraft attacked Managua's Sandino Airport [ ] damaging the airport terminal and hangars but losing one of the aircraft and its pilots. The next day two aircraft attacked the port of Corinto, reportedly causing minor damage to some chemical storage tanks. Finally, ARDE bombed a thermoelectric plant in Puerto Sandino and an

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industrial distillery west of Managua on 23 September. Damage assessments are not available. [REDACTED]

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Overall, the air raids and sabotage gained dramatic publicity for the insurgents, but the impact on the Nicaraguan economy appears minor. Nevertheless, the attacks probably have caused the Sandinista leadership some concern. The insurgents have pointed up significant weaknesses in Sandinista air and coastal defenses, and they have made the war suddenly more visible to the general population of western Nicaragua. [REDACTED]

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In the wake of the aerial bombings, the Sandinistas have been strengthening air defense military positions at Sandino airport and Corinto, and new emplacements have been identified in other locations. Furthermore, junta leader Daniel Ortega indicated that the air raids justified Sandinista efforts to obtain combat aircraft. His statement came on the eve of his departure for Cuba on the way to the UN General Assembly session. [REDACTED]

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[REDACTED]

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We still estimate there are some 1,500 to 2,000 [REDACTED] and we are closely watching to detect any signs of a significant increase. [REDACTED]

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Political

A new military conscription bill was rushed through the Council of State and approved by the junta despite considerable protest by the Catholic Church and other opposition groups. The law requires 18 to 25 years old to register for active duty by January, and males up to 40 are eligible for reserve duty. The Sandinistas have organized a propaganda campaign to drum up support for the law and to discredit opposition political and Church leaders for their lack of patriotism. According to the US Embassy, several hundred draft age youth have fled the country to avoid registration, which begins in October. [redacted]

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[redacted]

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[redacted] The Council of State has only recently established a commission to draft an electoral law, and the Sandinista Directorate reportedly is divided over a potential presidential candidate. While Managua is under considerable foreign pressure to move up the elections, hardliners may point to uncertainties about the future of the insurgency and want to avoid the impression of weakness by yielding to pressure. [redacted]

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Recent announcements by Nicaraguan officials illustrate several facets of Nicaragua's close relations with Cuba. An additional 375 students left for technical training in Cuba, bringing the number of Nicaraguan civilians studying there to some 2,000. Another 200 Cuban medical students were scheduled to arrive for a 3-year tour of service, raising total Cuban medical personnel in Nicaragua to 800. In late September, a high level Cuban economic mission arrived to participate in a meeting of the Nicaraguan-Cuban mixed commission. [redacted]

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Junta member Ramirez's trip to Mongolia and North Korea, and the visit of Vietnam's Foreign Minister to Managua, further solidified Sandinista ties to Communist states. The Sandinista press has taken the Soviet side in the Korean airline incident, but Nicaragua abstained in the UN Security Council vote to preserve the facade of nonalignment. Meanwhile, Interior Minister Borge's current tour of eight Western European states underscores the Sandinistas' vigorous quest for their support. [redacted]

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### Economic

Nicaragua has become an observer to CEMA, the Communist trade organ, which should help the Sandinistas to diversify their trade and obtain more Soviet bloc aid. The North Koreans recently pledged economic and technical assistance, and the Czechs delivered a planeload of medical supplies in late August. Nicaragua also is receiving larger amounts of aid from the West, including \$2.8 million in food aid from the European Community and the Netherlands, and credits from France and Austria totaling \$21.7 million. [REDACTED]

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[REDACTED] Nicaragua's \$100 million debt to Costa Rica--mostly related to energy imports--was also recently rescheduled. According to the US Embassy in San Jose, Nicaragua has already reneged on its promise to meet debts incurred after the rescheduling. [REDACTED]

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### GUATEMALA

#### Political

The tense political atmosphere surrounding the 8 August coup has eased, but new Chief of State Mejia does not have a strong constituency in the military and his government has acted timidly on major policy decisions. Mejia is concentrating on reasserting the military chain of command--to gain the support of the officer corps--and repairing government relations with the major political parties and Catholic Church, groups that were alienated by former President Rios Montt. Thus far, the military tentatively supports the new leader, and civilian political forces have muted their criticism of the government while awaiting some concrete policy decisions by Mejia. Among other groups such as labor, rural peasant organizations, and newly formed centrist and leftist parties, there is substantial apprehension that the Mejia government will return to the repressive and heavy-handed counterinsurgency tactics of former governments. [REDACTED]

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Mejia has made few significant policy decisions to date. He publicly committed his government to hold constituent assembly elections by next July [REDACTED]

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[redacted] The government also cancelled the re-registration of voters--a program intended to reduce electoral fraud--that also was opposed by the established political parties. In still another move to placate the right, Mejia abolished the Council of State--the only political conduit for Guatemala's Indian population. Finally, Mejia has reduced the rate of Rios Montt's controversial value-added tax, another move favored by rightwing parties. [redacted]

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Mejia has softened the pro-US rhetoric that characterized his first weeks in office, but he is likely to continue supporting US policy objectives in Central America. Guatemala is selecting candidates to teach at the Regional Military Training Center in Honduras and is trying to revive the Central America Defense Council. The Council, which would also include El Salvador, Honduras, Panama, and Costa Rica but exclude Nicaragua, would provide a mechanism for the regional militaries to exchange intelligence and engage in joint training and combined operations. [redacted]

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### Military

The insurgents were unable to mount coordinated or prolonged attacks on government targets during September, but they did step up their terrorist activity, particularly urban bombings and kidnappings. In rural areas they continue to sabotage economic targets and ambush small patrols while avoiding sustained engagements with government forces. [redacted]

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[redacted] We expect a continued insurgent emphasis on high-visibility, low risk terrorist operations while they rebuild and re-supply their units. [redacted]

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The government has not initiated any major operations or substantially increased its level of patrolling. The military is moving ahead with a Rios Montt program to deploy 11 "civic action" companies designated to control and train the civilian defense patrols and implement social service projects in the contested Western Highlands. [redacted]

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### Economic

The government finalized an IMF agreement for \$120.5 million that had been negotiated by the Rios Montt government. Guatemala will be able to draw on the loan over the next sixteen months to

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held reduce its arrearages on foreign debts. The IMF agreement--and Guatemalan government efforts to curtail public spending and increase taxes--could spur some additional credit from foreign lenders. [redacted]

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## HONDURAS

### Political

The recent resignation of Jose Azcona, the highly respected Minister of Communications, Public Works, and Transportation, marks an open split in President Suazo's ruling Liberal Party. A power struggle between future presidential hopefuls Azcona and Minister of the Presidency Carlos Flores also has led to Azcona's removal as chief of the Liberal Party. The factionalism in the Liberal Party comes at a time when President Suazo's health problems have raised public speculation about his possible successor. [redacted]

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For the moment, Flores appears to be in firm command as Suazo's principal troubleshooter, both in the government and the Liberal Party. [redacted]

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Several terrorist bombings have occurred during the past month in and around the north coast city of San Pedro Sula. A Marxist group has claimed credit for one of the incidents, but the others remain anonymous. San Pedro Sula, the largest city in this area and a de facto second capital for the country, is a traditional hotbed of leftist labor and student activities. [redacted]

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### Military

The Honduran Army appears to have neutralized a Cuban-Nicaraguan attempt to establish an active insurgency in Olancho Department. By the month's end only a few isolated groups out of about 100 Honduran guerrillas who infiltrated from Nicaragua in July remained at large. Many of the guerrillas deserted or surrendered because of hunger and demoralization. They have detailed the extensive training they received in Cuba

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and Nicaragua. Others were found dead of starvation, and a few were killed in fights with Army troops, including a key Honduran insurgent leader. [REDACTED]

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[REDACTED]

One of the captured guerrillas, however, claims that more insurgents are waiting in Nicaragua. [REDACTED]

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## COSTA RICA

### Political

Relations with Nicaragua have worsened in the last month. Nicaraguan charges that anti-Sandinista air attacks in September, originated in Costa Rica have prompted San Jose to cancel the next scheduled meeting of the mixed commission on bilateral relations. In addition, Costa Rican authorities arrested a Basque terrorist who reportedly entered the country via Managua on a mission targeted against anti-Sandinista leaders Pastora and Robelo. Most recently, security forces captured 11 armed Nicaraguan soldiers and a photographer on the northeast coast who had penetrated some 13 miles into the country, possibly on a spy mission. [REDACTED]

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Meanwhile, the number of Nicaraguan refugees crossing the border has surged over the past month. At the present rate of 200 a week, the government's two refugee camps near the Nicaraguan border will be filled to capacity soon. The rise in refugees may partly reflect the heightened military action in southern Nicaragua by insurgent forces. Government officials have made no progress in establishing two camps farther south, away from the border area. They probably worry that present continued influx of refugees will aggravate Costa Rica's already severe unemployment problem. [REDACTED]

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In a move apparently designed to defuse tensions, President Monge announced the provisions of a neutrality statute in his 15 September Independence Day speech. The statute declares Costa Rican neutrality in all international armed conflicts, but asserts this does not imply impartiality in ideological and political conflicts nor toward states guilty of aggression against countries to which Costa Rica is committed by virtue of regional collective security systems. [REDACTED]

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Proclamation of the neutrality policy followed a security crackdown in the Nicaraguan border region, [REDACTED]

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[REDACTED] These actions, which weakened Pastora's logistical support network along the Atlantic coast, were cited as proof by San Jose that it is enforcing its neutrality in a balanced way. A cross border attack into Nicaragua by Pastora's forces at the end of the month may lead to further crackdowns by Costa Rican security forces. [REDACTED]

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### Economic

President Monge's strict austerity program survived its first major test this past month in the form of a series of work stoppages and labor strikes by public employees unions seeking large pay hikes. The administration was able to persuade the unions to accept only modest cost-of-living increases by granting them a face-saving compromise on backpay. Moreover, figures released in late August show that employment is up 20 percent and personal income is up 38 percent from a year ago. [REDACTED]

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Good news also came from abroad in the form of renegotiation of the \$650 million foreign public debt with international credit banks--which also extended a new \$215 million import credit agreement in early September. The IMF expressed an additional vote of confidence in the recovery by approving another \$20 million loan beyond its December 1982 standby agreement to compensate for export losses suffered in the international market because of depressed prices. [REDACTED]

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## **PANAMA**

### Political

September was characterized by heightened political turmoil in Panama. Several key cabinet officials, including Foreign Minister Amado, were replaced by President de la Espriella in an apparent compromise reached with new National Guard Commander Noriega. Noriega probably hoped to strengthen his support outside the Guard--and undermine that of retired Guard chief Paredes--by removing ministers loyal to his predecessor. [REDACTED]

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Amado's successor is Oyden Ortega, a former Communist and ardent nationalist, who is a member of the Panama Canal Commission. De la Espriella has assured US officials that he

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[redacted]

will take a more direct role in foreign affairs, however, implying that he will limit Ortega's influence. His appointment probably is meant to signal a return to a more traditional neutralist foreign policy line, thereby arresting an earlier swing to the right under Paredes. [redacted]

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More importantly, the cabinet shuffle also appears to have induced Paredes to announce he will not be a candidate in presidential elections next year. Noriega previously had sought to assure the political opposition that the military will remain neutral in the coming elections, thus implying Paredes' candidacy did not enjoy Guard support. Paredes had hoped to win support for his candidacy from a significant portion of the opposition, as well as from the government and leftist parties, and the failure of his national unity theme to catch on also may have contributed to his withdrawal. [redacted]

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Paredes subsequently charged Noriega with treason for reneging on his promise to support Paredes' presidential candidacy. Paredes may have hoped that the public attacks on his successor and other government leaders would create opposition to the government and help him regain political support for his campaign. His outbursts have produced little sympathy for his position, however, and apparently have isolated him further.

[redacted]

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[redacted]

The heightened political tension may prompt government leaders to postpone national elections scheduled for next May.

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[redacted] Noriega and de la Espriella may be considering such a delay, despite public assurances to the contrary. Possible scenarios likely would include a lengthy extension of the president's current term of office, or an electoral bid--constitutional restrictions notwithstanding--by de la Espriella. [redacted]

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### Economic

The government's fear of possible large-scale capital flight was alleviated earlier this month, when a \$278 million credit agreement was reached with foreign banks. The arrangement, which avoided the far less attractive option of a formal debt restructuring, was negotiated as a syndicated six-year club loan. [REDACTED]

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Meanwhile, President de la Espriella continues to stress economic austerity measures. He also recently announced plans to initiate steps to strengthen foreign trade, including a review of existing trade treaties to bring them into line with existing economic conditions. Lastly, the recent cabinet shifts also should help enhance the president's control over economic matters, and provide Panama with a conservative economic team more sympathetic and attractive to local and foreign investors. [REDACTED]

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### **REGIONAL PEACE NEGOTIATIONS**

The foreign ministers of the five Central American countries and the Contadora countries--Mexico, Venezuela, Colombia, and Panama--issued a document of objectives at the conclusion of their meeting in Panama this month. The document consolidates previous proposals by Nicaragua, the other Central Americans, and the Cancun declaration of the Contadora presidents. The Panamanian foreign minister visited Central American capitals on behalf of the Contadora presidents in late September, and announced that the objectives had been approved by all the governments. Mexico recently announced that the Contadora foreign ministers would meet again in Panama in early October. [REDACTED]

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Key provisions of the document include a halt to the military buildup, a ban on foreign military bases, withdrawal of foreign military advisers, an end to subversive efforts, and support for democratization--including free access of political groups to the electoral process. Seven of the 21 points address economic and social matters. The document calls for immediate negotiations to conclude treaties to formalize the commitments and to guarantee establishment of verification measures. [REDACTED]

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Central American diplomats have told US officials that the Sandinistas' intransigence led to their isolation at the meeting,

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and openly annoyed the Mexican foreign minister. While restatement of objectives represents little progress in itself, the "core four" countries are pleased because the document endorses central elements of their peace plan. It also provides a reference point for pressing the Sandinistas on democratization and verification, two provisions that D'Escoto tried to oppose. Nevertheless, the vagueness of the document underscores that fundamental disagreements between the Sandinistas and their neighbors remain. The limited consensus helps to keep the Contadora process alive, but it will be difficult to reach specific agreements at subsequent meetings. [ ]

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As the month closed, the negotiating parties were locked in a dispute over whether the issue of peace in Central America should be inscribed on the agenda of the UN General Assembly. The Mexican foreign ministry and Panamanian Vice-President Illueca--who was just elected Assembly president--announced that the Contadora countries would present a report to the UN. Costa Rica publicly objected to this plan, [ ]

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[ ] Sandinistas support UN discussion, and may urge their friends to push for a resolution that criticizes the US and Honduras. [ ]

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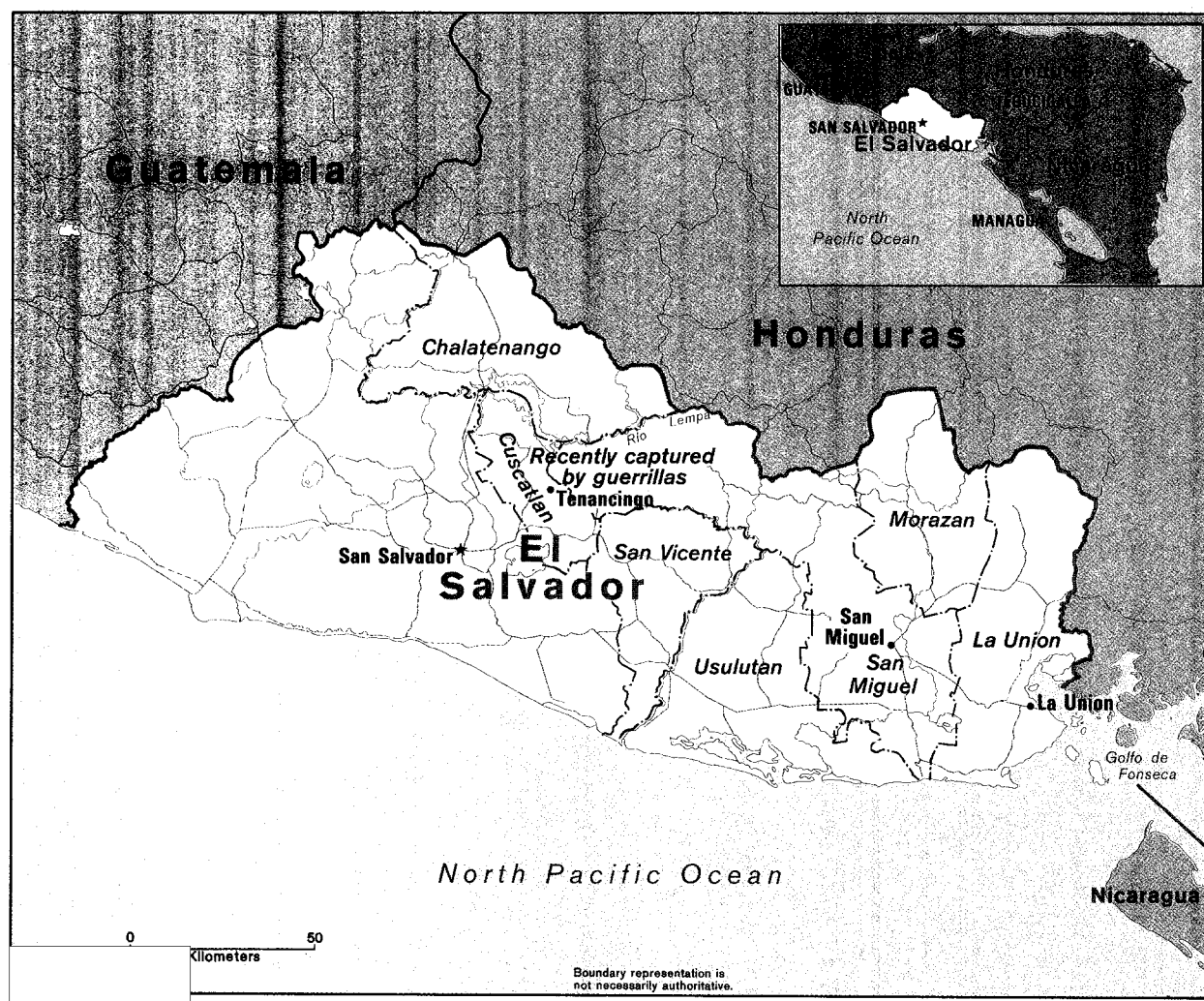
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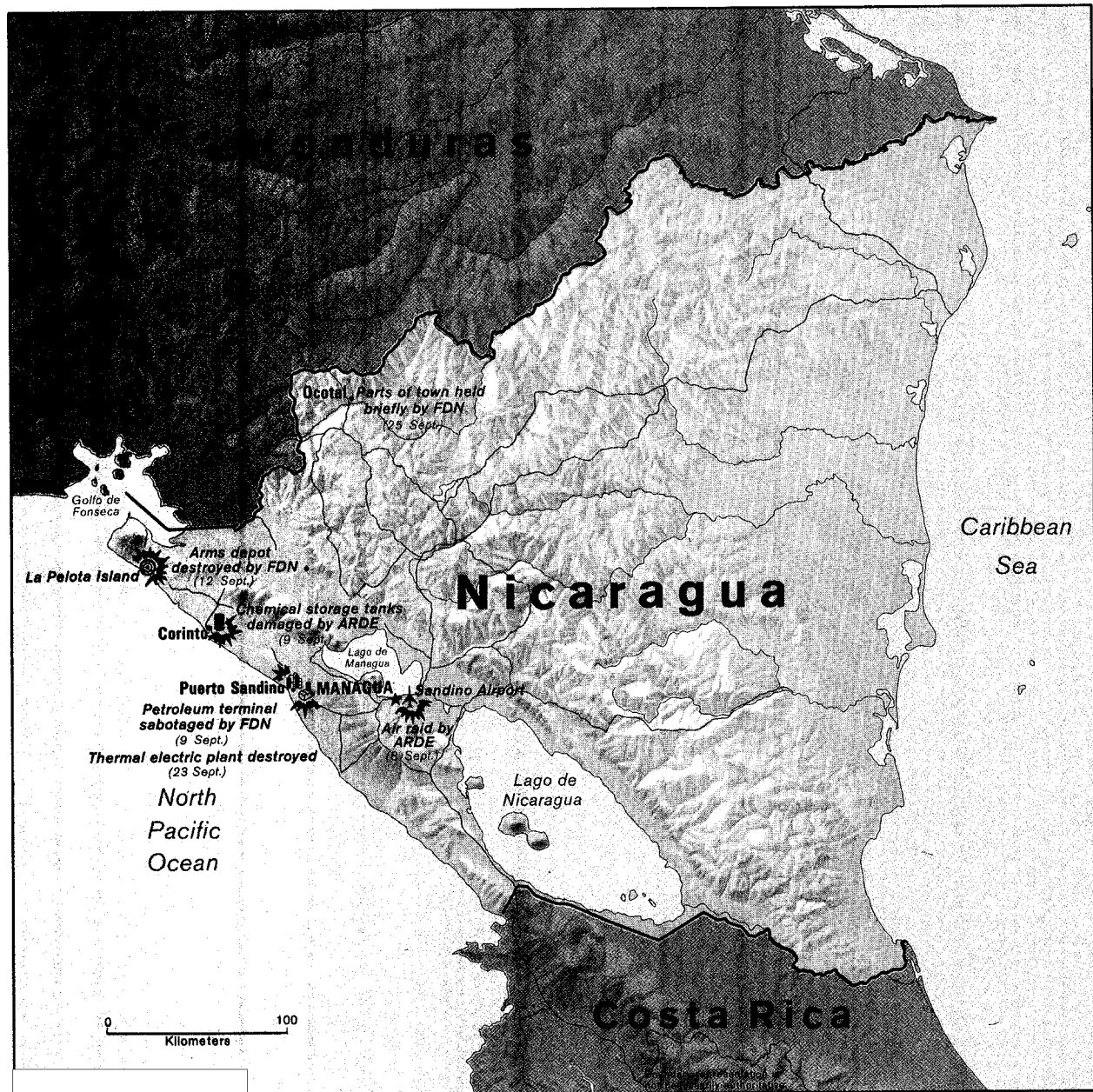
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